Discussion of Dirk Niepelt's report to the Fiscal Policy Council

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June, 2014

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  - investment in domestic or foreign assets?

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Carried out on a rather abstract level:

- accounting framework distinguishing assets and liabilities (could in general be subdivided into further categories); very useful, embraced by FPC in 2014 report
- (advanced) economic theory discussing a number of different *possible* mechanisms
- not quantitative, i.e., few suggestions for numbers.

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Dirk’s survey is balanced and an excellent summary of what there is.

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  - situation similar to inflation-target discussions (why 2%, why not a price-level target,. . . ?): having A rule is probably more important than having the RIGHT rule
  - there is an argument for a gross debt/GDP target: the market might care about it (maybe it cannot judge the liquidity of the asset side?).

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- In a broader sense, the surplus target (or a net asset target) is a commitment to only part of the whole fiscal policy package; one could have more detailed rules.
- These could follow Dirk's suggestions, but given the state of the literature, we are far from a qualitative consensus on these, let alone a quantitative one.
- It would also not be wise to over-commit: recall there is a cost of commitment.

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- Inflation as shock absorber? Also think about redistribution effects (cf. Piketty).
- How strengthen resilience to “runs”? Not sure if long maturity helps.